

Message Text

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44

ACTION NEA-12

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00

USIE-00 INRE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

EB-11 COME-00 INT-08 SCEM-02 SCI-06 TRSE-00 OMB-01

CIEP-02 CEA-02 IO-14 DRC-01 /184 W
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O 211200Z DEC 73 ZFF-6

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC NIACT IMMEDIATE 5719

AMEMBASSY TEHRAN NIACT IMMEDIATE

AMEMBASSY CARACAS NIACT IMMEDIATE

AMEMBASSY KUWAIT NIACT IMMEDIATE

AMEMBASSY TRIPOLI NIACT IMMEDIATE

AMEMBASSY JAKARTA NIACT IMMEDIATE

AMEMBASSY ABU DHABI NIACT IMMEDIATE

INFO AMEMBASSY LONDON IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY NEW DELHI IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

C O N F I D E N T I A L JIDDA 5626

E.O. 11652: GDS

TAGS: ENRG, EFIN, SA, XF, IR, VE

SUBJECT: OPEC PRICE INCREASE

1. AHMAD ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM, HAS
JUST TOLD ME THAT HE HAS LITTLE HOPE OF PREVENTING
OPEC FROM RAISING PRICES DRAMATICALLY.

2. HE SAID HE WOULD BE ONLY MEMBER TRYING TO
KEEP LID ON PRICES AND HE WILL CONSIDER THAT HE HAD
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DONE A GOOD JOB IF PERSIAN GULF REALIZED (REPEAT

REALIZED) PRICES COULD BE KEPT AS LOW AS \$6.00
A BARREL (I.E., AN INCREASE IN TAX/ROYALTY PAYMENTS
OF ABOUT \$2.50 THAT IS, ABOUT A 75 PERCENT INCREASE).

3. YAMANI SAID THAT THE IRANIANS AND NIGERIANS
HAVE BEEN ELATED BY THE RECENT SPOT SALES OF \$16-18/CRUDE AND
WILL BE PUSHING FOR AVERAGE REALIZED PRICES OF
AT LEAST \$10-12 PER BARREL (I.E., AN INCREASE IN PRICE
IN TAX/ROYALTY PAYMENTS OF \$6.50-8.50 -- A TRIPLING OR
QUADRUPLING OF PRESENT TAXES).

4. HE SAID HE WAS SURE KUWAIT AND VENEZUELA
WOULD ALSO BE PUSHING FOR THE HIGHER PRICES.

5. I TOLD YAMANI I THOUGHT THE PRICES WERE ABSURD;
EVEN THE "MODERATE" PRICES YAMANI SAID HE WAS AIMING FOR
WOULD BE A DISASTER FOR MANY COUNTRIES. I SAID I HAD
THOUGHT PRICES MIGHT GO UP A DOLLAR, AND EVEN THAT WOULD
BE CATASTROPHIC FOR MOST OF THE WORLD. AS FOR THE \$10-12
FIGURE THIS WOULD RAISE THE VALUE OF OIL IMPORTS TO
AROUND \$150 BILLION A YEAR, TRIPLE THE PRESENT AMOUNT, AND
THERE JUST ISN'T THAT MUCH MONEY FOR OIL IN THE WORLD.

6. ACTION REQUESTED: THAT THE DEPARTMENT CALL IN THE
AMBASSADORS OF THE OPEC COUNTRIES TODAY. TELL THEM WE HAVE
RECEIVED REPORTS OF PLANS FOR PROPOSED LARGE PRICE INCREASES
IN THE TEHRAN MEETING TOMORROW; POINT OUT TO THEM THE
EFFECTS ON WORLD COMMERCE OF SUCH A MOVE. DEPT WILL
ALSO CONSIDER ASKING INFO ADDRESSEE COUNTRIES TO MAKE SIMILAR
APPROACH TO OPEC COUNTRIES.
AKINS

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